



**City of Detroit**

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**OFFICE OF THE AUDITOR GENERAL**

**Audit of the  
Office of the City Clerk**

**November 2003**

OFFICE OF THE CITY CLERK  
November 2003

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\*Finding appeared in the prior audit report dated June 30, 1995



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## MEMORANDUM

**DATE:** December 22, 2003  
**TO:** Honorable City Council  
**FROM:** Joseph L. Harris  
Auditor General   
**RE:** Audit of the Office of the City Clerk  
**C:** Mayor Kwame M. Kilpatrick

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Attached for your review is our report on the audit of the Office of the City Clerk.

This report contains our audit purpose, scope, objectives, and methodology; background; audit findings and recommendations; and the Agency's response.

We appreciate the assistance that we received from the employees of the Office of the City Clerk.

## **AUDIT PURPOSE, SCOPE, OBJECTIVES, AND METHODOLOGY**

### **Audit Purpose**

The audit of the Office of the City Clerk was performed under the Office of the Auditor General's (OAG) Charter mandate to audit financial transactions of all City agencies. The OAG performed the audit to test the adequacy of transaction control procedures for payroll, cash receipts, voucher disbursements, fixed assets, inventory, and petty cash; as well as compliance with year-end closing procedures.

### **Audit Scope**

Based on an initial assessment of transaction procedures for cash receipts, payroll, disbursements, fixed assets, inventory, and petty cash, the OAG determined that there are certain weaknesses in the system of internal control. We focused our audit on the weaknesses discovered during the assessment, and on the status of prior audit findings.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external quality review of the Office of the Auditor General within the last three years.

### **Audit Objectives**

Our audit objectives were to evaluate the adequacy of the Office of the City Clerk's internal controls over the major financial reporting processes, and to determine whether the Office of the City Clerk implemented the prior audit recommendations or otherwise resolved the findings.

### **Audit Methodology**

To accomplish the audit objectives, our audit work included the following:

- A review of City ordinances and other pertinent information related to the Office of the City Clerk
- Interviews with appropriate Office of the City Clerk personnel
- Observation and testing of internal control processes and procedures

## **BACKGROUND**

The City Clerk is an elected official of the City of Detroit, and is the Chief Elections Officer of the City. The City Clerk also serves as Chair of the Election Commission, performs oversight duties for the Department of Elections, and provides general supervision for all elections that take place in the City.

As provided by the City Charter, the Office of the City Clerk serves as the keeper of both the City of Detroit's Legislative and Executive branch business transaction records. The Office of the City Clerk also has the responsibility of serving as the City Council's clerk and to make and preserve a record of all City Council ordinances, resolutions, and other proceedings. The Office of the City Clerk maintains the Corporate Seal of the City, administers oaths, and takes affidavits.

In addition to carrying out the mandates of the City Charter, the Office of the City Clerk provides information to citizens relative to public services and refers them to the proper department.

The Office of the City Clerk administers the Citizens Radio Patrol Program, which provides financial assistance to qualified citizen radio patrols. This program helps to subsidize the volunteer efforts of community-based organizations and citizens who regularly patrol their neighborhoods in support of the safe streets effort.

The Office of the City Clerk is a general fund agency.

## **FINDINGS AND RECOMMENDATIONS**

Findings marked with an asterisk (\*) indicate that the finding and related recommendation appeared in the previous Auditor General report. The date shown indicates the audit report in which the finding and related recommendation or part thereof first appeared.

### **\*1. Strengthen Internal Controls in the Cash Receipts Process:**

(June 30, 1995) The Office of the City Clerk receives revenue from the sale of City Charters, Municipal Codes and maps through the mail and over the counter. The same clerk, who prepares the cash deposits and the cash receipts journal entry, may also receive checks through the mail and over the counter. Cash receipts were only reconciled at the time of the deposit. Furthermore, cash receipts were not deposited or recorded in the City's financial system within 48 hours of collection.

The Office of the City Clerk indicates that a shortage in staff is the primary reason for the lack of adequate segregation of duties among clerks with cash-handling and depositing responsibilities.

An effective system of internal control over cash receipts requires that the reporting and depositing functions be segregated; this decreases the likelihood of errors or misappropriation. Conversely, the likelihood of errors and possible misappropriation increases when cash receipts are not reconciled or deposited in a timely manner. The City's Finance Directive No. 20 requires that cash receipts be deposited and recorded in DRMS as cash receipts within 48 hours after receipt.

We recommend the Office of the City Clerk strengthen the internal controls in the cash receipts process by segregating the cash handling, depositing, and recordkeeping functions. To provide independent verification of the cash receipts, the person handling receipts through the mail should log receipts received through the mail and the person handling receipts received over the counter should log those receipts. We further recommend the Office of the City Clerk comply with Finance Directive No. 20 and deposit all cash receipts within 48 hours of collection, or obtain a waiver of such requirement from the Finance Department.

### **2. Establish Segregation of Duties in the Procurement Process:**

The Office of the City Clerk has one staff person trained to use DRMS. This practice creates a lack of internal control in the procurement process since the same clerk performs requesting, approval, and receiving functions. Purchases made by the Office of the City Clerk totaled \$1,694,313.97 during the fiscal year ending June 30, 2003.

The Office of the City Clerk indicated that the department is unable to approve system transactions because its management staff does not have DRMS training. We were informed that the department is planning additional DRMS training for staff.



An effective system of internal control over the procurement process requires that the same employee not perform incompatible functions. A lack of segregation of responsibilities in the procurement request, approval, and receiving processes increases the likelihood of asset misappropriation and fraud.

We recommend the Office of the City Clerk segregate activities within the procurement process by increasing the number of staff trained in the DRMS system to include an approval hierarchy. We also recommend that the Office of the City Clerk establish policies and procedures that document the procurement process and the related approval hierarchy.

### **3. Conduct Periodic Reviews of Departmental Financial Reports:**

During our review of the Office of the City Clerk's Revenue and Expenditure report, we noted a \$741,825.31 encumbrance error, which had been on the books since 1999.

The Office of the City Clerk indicated that the department is not printing and reviewing financial reports because the office's management staff does not have DRMS training.

Good accounting practices require that management periodically review and verify financial reports. Performing such reviews increases management's assurance that financial reports are accurate and that unauthorized transactions have not occurred.

We recommend the Office of the City Clerk obtain the necessary training in DRMS to produce the needed financial reports. We further recommend that management review financial reports and, that they resolve discrepancies in the reports with the assistance of the Finance Department.

### **4. Update Policies and Procedures Manual:**

The Office of the City Clerk has not updated its Policies and Procedures Manual since 1998. The manual contains references to: (1) the former City of Detroit Accounting System (FICS); (2) out of date procedures, such as, declaring cash receipts should be deposited twice daily; and (3) individual names instead of position titles.

Management must support the development and ongoing maintenance of effective policies and procedures for the validity and reliability of financial information. Such policies and procedures help to assure the existence of adequately controlled business processes, such as daily operations, staff transitions, and staff terminations.

We recommend the Office of the City Clerk update their policies and procedures manual to include the City's current accounting system. We also recommend that only titles and positions, rather than names, be referred to in the manual. The Office of the City Clerk management should review policies and procedures periodically to ensure current practices are reflected.

### **STATUS OF PRIOR RECOMMENDATIONS**

Our previous reports on the Office of the City Clerk for the two years ended June 30, 1991 and June 30, 1995 contained the following recommendation:

The Office of the City Clerk should maintain an inventory record and perform a periodic physical count of products sold on a regular basis by the agency.

This recommendation has been dropped due to immateriality.

### **NONCOMPLIANCE ISSUE**

In addition to the foregoing findings and related recommendations, we noted the following instance of noncompliance with established City policy, pertaining to petty cash:

The Office of the City Clerk does not conduct unscheduled counts or audits of its petty cash. The petty cash is only reconciled when it is replenished. The Office of the City Clerk should conduct unscheduled counts of the petty cash by someone other than the petty cash custodian.

The Office of the City Clerk should implement procedures to correct the above condition to ensure compliance with established City policy.



**City of Detroit**  
OFFICE OF THE CITY CLERK

Jackie L. Currie  
City Clerk

Vernon C. Allen  
Deputy City Clerk

**ATTACHMENT A**

December 8, 2003

Mr. Joseph L. Harris, Auditor General  
Office of the Auditor General  
208 Coleman A. Young Municipal Center  
Detroit, MI 48226

Dear Mr. Harris:

The following presents the Office of the City Clerk's response for the indicated findings and related recommendations in the Audit Report received from your office.

**Finding No. 1**

**Strengthen Internal Controls in the Cash Receipts Process:**

**Agency Response:**

The Office of the City Clerk recognizes the existence of weakness in the internal controls with respect to cash receipts. In our discussions with the Auditor's staff we attempted to convey the dilemma that we have experienced over the past three years regarding a shortage of staffing for the division that is responsible for this area of services. Additionally the volume of sale is very small and coupled with the absence of staff to assign segregation of duties, we admit there is a problem in the current practice. We have made some adjustments with respect to assignments that may allow for the agency to implement the recommendation of the Auditor General.

We will also request a waiver of the requirement in order to prevent instances when vacations, illnesses and other incidents prevent us from having adequate staff to perform the required tasks.

**Finding No. 2**

**Establish Segregation of Duties in the Procurement Process:**

**Agency Response**

The limited number of persons trained for the DRMS system is an ongoing problem. The ability to schedule staff for the training and maintain adequate coverage is an issue that the Office of the City Clerk is acutely aware must be corrected. It is important to note that within the most recent notices we are advised that training has been suspended and it is unclear when the Training Center will be open for ongoing and needed training by agencies and departments. As soon as the training is available, the appropriate staff will be scheduled.

Mr. Joseph A. Harris  
December 8, 2003  
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The development of a procurement process is a task that we will initiate in this fiscal year and it is also important to note that we are currently reorganizing many of the various tasks to accommodate the Auditor General's recommendation.

**Finding No. 3**

**Conduct Periodic Reviews of Departmental Financial Records:**

**Agency Response:**

We concur with the Auditor's finding and are seeking to address how to implement the recommendation. Currently the reassignment of many of the financial reports and assessments have been carried out in a fragmented approach. New assignments and training are priorities that the Office of the City Clerk is addressing. Again it is important to note that the training division of the Human Resources Department has been suspended. We are relying on individuals who are attempting to learn by inquiry from the Finance Department staff assigned to work with the Office of the City Clerk.

**Finding No. 4**

**Update Policies and Procedures Manual:**

**Agency Response:**

We concur with the Auditor's findings and have initiated those changes and identified a target date for a revised procedures manual that is consistent with the Auditor General's recommendation.

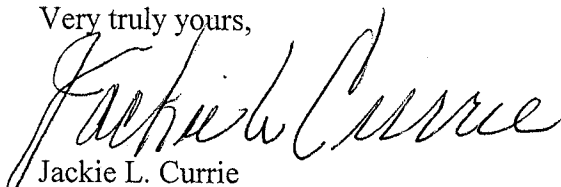
**Non Compliance Issue:**

**Unscheduled counts/or audits of the petty cash fund:**

**Agency Response:**

The non compliance issue is currently under revision and action has been taken to correct this recommendation. The City Clerk has designated two staff members to conduct this unscheduled auditing task and this will no longer be an issue of non compliance.

Very truly yours,



Jackie L. Currie  
City Clerk

JLC:BM:sk